



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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Sacramento
California 95814

BILL LEONARD
Member, BOE
Second District

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FOR IMMEDIATE RELEASE

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LEONARD OPPOSES BOARD REVIEW OF FLAVORED BEER TAXES

Board of Equalization Member Bill Leonard announced his opposition to today's vote to look into the classification of flavored beer and its taxation under California law.

Leonard, along with Vice Chairman Claude Parrish, opposed the measure. The Board's vote was 3-2, with Chairman John Chiang, State Controller Steve Westly, and Acting Board Member Betty T. Yee voting to support.

Leonard said, "The proponents have pointed out a serious issue with the law that needs to be addressed by the Legislature."

Leonard noted that thousands of retailers and restaurants with beer and wine licenses may not be able to sell flavored beer if it were reclassified improperly. "This is the kind of policy discussion that needs to take place in the legislature." Leonard asked staff to investigate all of the ramifications of the proposal including tax revenues and alcohol licensing laws.

The Board heard from several speakers in a Sacramento hearing yesterday, some raising concerns that the beverages should be classified and taxed differently according to state law. Speakers also discussed possible effects on underage drinking, and what new tax rates would mean to the alcohol, beverage and dining industries.

Students from the California Youth Council petitioned the Board in November to review its taxation of the products, prompting this week's hearing in Sacramento.

Today's vote does not change tax rates or regulations. Instead, it directs Board of Equalization staff to hold a series of public meetings with taxpayers, interested parties, and industry officials to discuss tax rates and product classification. Staff will then offer recommended alternatives to the Board.

The products are currently classified as beer by the Department of Alcohol and Beverage Control. The Board of Equalization has historically followed the Department's classification for tax purposes. State law taxes beer at \$.20 per gallon. If flavored beers were reclassified as distilled spirits, the products would be taxed at \$3.30 per gallon.

Bill Leonard, of Sacramento/Ontario, was elected to his first term as Second District Member of the State Board of Equalization in 2002. Prior to his election, he served in the State Assembly (1978-1988, 1996-2002) and in the State Senate (1988-1996).

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$50 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

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